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FISCAL IMPACT STATEMENT

LS 6849
BILL NUMBER: HB 1094

NOTE PREPARED: Feb 1, 2010
BILL AMENDED: Feb 1, 2010

SUBJECT: Net Metering.

FIRST AUTHOR: Rep. Dvorak
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the utility regulatory commission (IURC) to adopt emergency rules amending the IURC's net metering and interconnection rules for electric utilities. It provides that the amended rules must: (1) make net metering available to all customer classes; (2) allow a net metering customer to interconnect to an electric utility's distribution facility a generating system that is sized to meet all or part of a customer's electric load; (3) allow a net metering customer to interconnect a generating facility that makes use of specified technologies; and (4) allow for customer meter aggregation. It provides that a rule adopted by the IURC to amend the IURC's net metering and interconnection rules may not make the net metering and interconnection rules apply to a cooperatively owned power supplier or a municipally owned utility.

The bill also provides that the existing rules are void to the extent they do not comply with the requirements for the amended rules. It requires the IURC to report to the regulatory flexibility committee on the IURC's progress in adopting the amended rules. It requires the IURC to include certain information in its annual report to the regulatory flexibility committee regarding the number of net metering customers, any safety incidents, and the cross subsidy impact of net metering to other ratepayers of each electric utility.

Effective Date: (Amended0 Upon passage; July 1, 2010.

Explanation of State Expenditures: (Revised) *IURC*: The bill directs the IURC to adopt rules to implement its requirements and to ensure the Indiana Administrative Code is updated as necessary. It requires the Commission to report to the Regulatory Flexibility Committee by November 1, 2010, on its progress in adopting the amended rules. The Commission also has to include in its annual report to the Flexibility Committee information on the number of net metering customers served by each utility disaggregated by customer class and nameplate capacity, a description of each safety and/or grid reliability incident and any remedial measures taken in response to the incident, and an estimate of the cross subsidy impact of net metering to other ratepayers of each electric utility.

The bill's requirements may represent an additional workload (and/or expenditure) on the Commission outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. However, any increase in administrative expenses would probably be borne by the Public Utility Fund which funds the agency's operations. Proceeds for the fund come from a fee on the gross revenues of the utilities.

Under current law, an electric utility (current law applies only to investor-owned utilities) has to offer net metering to residential customers and K-12 schools that install a generating facility (solar, wind, hydro-electric only) with a capacity of 10 kilowatts (kW) or less. It could, if it wishes, offer net metering to other customers such as state and local governments. Current law also permits the utility to limit the total amount of its capacity allocated to net metering to 0.1% of its most recent summer peak load. If a customer produces a net excess of electricity during the billing period, the excess is credited to the customer's next bill, and the excess can be carried over indefinitely.

The bill requires only investor-owned utilities (municipally owned utilities and electric cooperatives are specifically excluded from this requirement) to offer net metering to all customer classes including federal and state military installations. It also expands the type of generating facility to include those that produce electricity from other renewable energy sources besides solar, wind, or hydro-electric (e.g., combustion technology, microturbines using renewable fuels or natural gas, organic waste biomass, fuel cells, landfill gas, energy storage systems, combined heat and power system that achieve at least 70 % efficiency). The bill also deletes the 10 kW maximum capacity requirement for customer generating systems and instead permits a generating capacity that would meet all or part of the customer's electric load. Additionally, for billing purposes, this proposal permits customers to aggregate the total amount of electricity used from all their generating systems.

State and Local Government Utility Expenditures: The bill requires electric utilities to offer net metering to state and local governments. As a result, there could be a decrease in electric utility expenditures of state and local agencies. The impact would ultimately depend on how much of its own energy the agency would be capable of generating. However, the bill would have no impact if the utility in question is municipally owned or an electric cooperative as these would still be prohibited from entering into net metering agreements.

Explanation of State Revenues: *Utility Rates:* To the extent that utility rates are affected by the net metering requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Background Information- According to the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Revenues.*

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm.

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